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IN THE

Supreme Court of the United States.

OCTOBER TERM, 1929.

No. 1695.

CARBICE CORPORATION OF AMERICA,

Petitioner,

vs.

AMERICAN PATENTS DEVELOPMENT CORPORATION and DRY ICE CORPORATION OF AMERICA,

Respondents.

BRIEF FOR RESPONDENTS IN OPPOSITION TO PETITION FOR WRIT OF CERTIORARI.

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March 19, 1930.

The Evening Post Job Printing Office, Inc., 154 Fulton St., New York, N. Y.

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BRIEF FOR RESPONDENTS IN OPPOSITION TO PETITION FOR WRIT OF CERTIORARI.

The principal points advanced by the petitioner in this case concern solely questions respecting the validity of the patent in suit and its infringement by petitioner. Those questions have been decided against the petitioner by the Court of Appeals for the Second Circuit after most careful consideration and fullest presentation. There is no issue in this case which distinguishes it from any case in which a defendant has been defeated in a patent suit and is not satisfied with the decision of the lower Court. There is no question of national interest involved. There is no conflict of decision between different Courts of Appeal. On the contrary, the Circuit Court of Appeals here has cited with approval the cases of *American Fruit Growers, Inc.*, v. *Brogdex Company*, 35 Fed. (2d) 106, in the Third Circuit Court

of Appeals, and *International Mausoleum Co.* v. *Sievert*, 213 Fed. 225, 228, in the Sixth Circuit Court of Appeals.

The point raised by petitioner as not affecting validity or infringement is regarding the effect of the notice upon respondents' invoices, which was not presented by the pleadings and is raised for the first time in this Court, apparently for the purpose of diverting the attention of the Court from the real issues.

Subject-Matter of the Litigation.

The patent in suit is for the refrigeration of perishable products of a sort not to be damaged by excessive freezing, such, for instance, as ice-cream, fish, or the like. According to this invention, the perishable products are packed in a box, or a paper carton, about a block of solidified carbon dioxide. Thus, the refrigerating apparatus of the patent combines (1) solid carbon dioxide, the refrigerant of distinctive properties essential to the combination, (2) the food-stuff, such as ice-cream or the like, which is to be kept in frozen condition, and (3) an enveloping container—each arranged in a specified relation to the others.

Prior patents and authorities suggested the use of solid carbon dioxide as a refrigerant in substitution for water ice; but this is not the manner in which the patentee of the patent in suit uses the solid carbon dioxide.

The prior art had taught that the refrigerant should be more accessible to heat than are the products to be refrigerated. Slate, on the contrary, puts the refrigerant in the center of the package, and surrounds it with ice-cream or other substance to be refrigerated. In *this* arrangement, the food-stuff helps to insulate the solid carbon dioxide against outside heat; and the very cold gas, as it evolves from the solid carbon dioxide, fills the interstices between the packages and acts as a refrigerant of those portions of the food-stuff remote from the solid carbon dioxide.

This produced a radically new result. The prior art taught that solid carbon dioxide had a refrigerating value as compared with water ice of two to one, whereas the refrigerating efficiency of the solid carbon dioxide in the patented package is approximately fifteen to twenty times that of water ice.

Prior to respondents' manufacture under the patent in suit there was no commercial sale of solid carbon dioxide. Respondents, by reason of their invention here in controversy, increased their sales within three years from nothing in 1924 to nearly 5,000,000 pounds in 1927. As the Circuit Court of Appeals found, respondents are justly entitled to assert that they have created a new industry (Tr. p. 577).

Petitioner's Operations.

Petitioner asserts that all it is doing is to engage in the manufacture and sale of the unpatented commodity, solid carbon dioxide. But its description of its operations does not fully state the facts.

After respondents had established their business and educated their customers as to how to make up the patented packages and use the solid carbon dioxide sold by them (Tr. pp. 34-38), and had built up a large business, requiring a plant turning out millions of pounds of solid carbon dioxide, the petitioner, which was not previously a dealer in or manufacturer of frozen carbon dioxide, began its manufacture and went direct to respondents' customers and induced a number of them to purchase from it, not the containers or the ice-cream for the packages, but the only element of the patented combination that had not been a commercial commodity, namely, the frozen carbon dioxide (Tr. p. 35).

And the petitioner did not sell the solid carbon dioxide (which it sold under the name of "Carbice") in ignorance of how it was to be used. The transaction, after notice of infringement (Tr. p. 289), with Marchiony, one of the respondents' customers, shows this. Marchiony had been selling

packages made up in accordance with the invention here in suit (Tr. pp. 45-48), purchasing the solid carbon dioxide from the respondents. In March, 1927, Marchiony, in response to petitioner's solicitation, began purchasing solid carbon dioxide from the petitioner, at a lower price than respondents' (Tr. pp. 48-49). In that connection Marchiony wrote petitioner the following letter (Tr. p. 287):

> "Referring to your offer to sell us Dry Ice at 4½¢ per pound, as this is cheaper than we are able to buy carbon dioxide from the Dryice Corporation, we are willing to try your product at the price in question, provided that you will give us a written assurance that it will give us as satisfactory results in shipping ice cream *under our present conditions of use as the product of the Dryice Corporation* and you will be prepared to keep us supplied after we begin using it.
>
> "In justice to ourselves, we cannot change our present source of supply other than as above stated."

To this the petitioner replied in part as follows (Tr. p. 288):

> "We also guarantee that Carbice will be found as satisfactory as dry ice in any and every way, and being made under greater compression than the latter product, will prove to be a more efficient refrigerant."

So it is clear that the petitioner knew exactly how Marchiony was to use the solid carbon dioxide purchased from it in the arrangement of the package patented by the respondents, since the petitioner gave Marchiony the written assurance that he asked for, namely, that the petitioner's product "will give as satisfactory results in shipping ice cream under our present conditions of use as the product of the Dryice Corporation". Thus, the Court of Appeals was clearly right in saying (Tr. p. 581):

> "In view of defendant's advertisements, and its guarantee to Marchiony that its product would be as satisfactory as plaintiffs', there can be no doubt of defendant's intent to have Marchiony use its product to infringe the patent."

1. The decision of the Court of Appeals herein is not in conflict with the case of Morgan Envelope Company v. Albany Paper Company, 152 U. S. 425.

The Circuit Court of Appeals pointed out that there had been discussion as to the precise reasoning of the opinion in the *Morgan Envelope* case, and said that, whatever theory is adopted as to the basis for that opinion, "we do not think it can control the case at bar", because the present case is not "based upon the purchase from the patentee of enduring and important parts of the patented combination". In the *Morgan Envelope* case the purchaser bought from the patentee a holder and a roll of paper, which latter was known to require frequent removal whereas the holder was permanent; in the present case, the purchaser, Marchiony, purchased nothing of a permanent and lasting character from the patentee, but only the solid carbon dioxide (Dry Ice). Thus, the Court says (Tr. pp. 584, 585):

> "Whether the Morgan Envelope opinion be interpreted as a holding that the combination of fixture and paper roll was not a patentable combination, despite its somewhat perfunctorily asserted assumption to the contrary, or whether it be interpreted as an exception to the rule of contributory infringement, based upon implied license to renew ephemeral and subordinate parts of a patented combination, we do not think it can control the case at bar. *The doctrine of implied license to renew perishable and subordinate parts is based upon the purchase from the patentee of enduring and important parts of the patented combination.* Heyer v. Duplicator Co., 263 U. S. 100; Wilson v. Simpson, 9 How. 109; Williams v. Barnes, 234 F. 339 (C. C. A. 7); Heyer Duplicator Co. v. Ditto, 6 F. (2d) 578 (C. C. A. 7); Lyman Mfg. Co. v. Bassick Mfg. Co., 18 F. (2d) 29; Bassick Mfg. Co. v. Ready Auto Supply Co., 22 F. (2d) 331, 340 (D. C. E. D. N. Y.). In the Morgan Envelope case the implication arose from the purchase of a dispensing machine intended to deliver a subordinate element 'which must

be renewed periodically whenever the device is put to use.' *Marchiony purchased nothing from the patentee except the dry ice.* When that evaporated in use he retained nothing acquired from the patentee from which to imply a license to renew or repair the purchased 'device.' It is true that the shipping box may* be an enduring part of the patented package; and perhaps this should be considered as though purchased from the patentee, since its use in the combination was authorized although purchased from others. But to refill the shipping case with its vital element, the dry ice, would be not to renew a subordinate part but to reconstruct the patented package. That Mr. Justice Brown's opinion did not sanction *such a reconstruction* is clearly implied from his citation of Cotton Tie Co. v. Simmons, 106 U. S. 89, and his illustration of refilling the shell of a patented torpedo, to which we have already made reference."

So it is evident that the Court of Appeals decided that the *Morgan Envelope* case, regardless of the doubt as to the ground upon which the conclusion of this Court in that case was based, was not in point, because the essential element that the respondents sold, *i. e.*, the solid carbon dioxide, was not retained as the basis of making up subsequent transportation packages by the customer, but, instead, that essential element was the solid carbon dioxide purchased from the petitioner.

"* It usually was not, but was a cardboard carton thrown away after one use (Tr. p. 293). In any event there is no evidence that the petitioner sold its solid carbon dioxide only for use in a container which had once been used with respondents' dry ice.

2. The Court of Appeals has made no holding that the respondents could, broadly and without limitation, compel their licensees or the purchasing public to buy from them solid carbon dioxide. The Court here has merely held that the petitioner, knowing that the solid carbon dioxide which it sold was to be used in the arrangement of the patent in suit, was an infringer.

The petitioner, while admitting (Petition, p. 4) that

> "The Dry Ice Corporation, in selling its unpatented product instructs its customers from whom to buy containers in the first instance (Tr. p. 48, fol. 143; p. 53, fols. 151-152), and the customers thereafter purchase the containers wherever they see fit, depending upon price and delivery,"

attempts to construe the notice printed on respondents' invoices (Tr. p. 283) as bringing the present case within the decision of this Court in *Motion Picture Patents Co.* v. *Universal Film Co.*, 243 U. S. 502. But that notice does not mention the patent in suit, nor have the respondents ever provided any containers. They have approved them, of course, in instructing their customers what containers are best fitted for use with their solid carbon dioxide, and have given their customers the right to use the solid carbon dioxide, which they sell, in any suitable container. The notice amounts, at most, to a license to use the solid carbon dioxide in the transportation package. Certainly there is no restriction here such as is dealt with in the *Motion Picture Patents* case, where the attempt was made to restrict the use of the patented moving picture machines to licensed films. Nor is the petitioner, at page 15 of its petition, correct in criticizing the Court of Appeals for making an error in fact in stating,

> "It is only unpatented materials which form no part of the patented machine which the Supreme Court held the purchaser of the machine may use at will,"

since the opinion of this Court in the *Motion Picture* case stated clearly and unmistakably in the reasons for its conclusion that the film was not part of the invention (p. 518) saying:

> "Such a restriction is invalid because such a film is obviously not any part of the invention of the patent in suit; because it is an attempt, without statutory warrant, to continue the patent monopoly in this particular character of film after it has expired, and because to enforce it would be to create a monopoly in the manufacture and use of moving picture films, wholly outside of the patent in suit and of the patent law as we have interpreted it."

Claim 1 of the Latham patent, which is quoted in the petition at page 15, was not involved in the *Motion Picture Patents* case. The claim there involved was claim 7 (see 243 U. S. 505). So criticism of the Court of Appeals' decision on the basis of a claim not involved in the *Motion Picture* case is decidedly beside the point. Even if the claim on a motion picture machine had mentioned the film, it is obvious that such mention did not make the film properly a part of the machine combination.

Hence, it is clear that the Court of Appeals was entirely correct in its statement of the holding of this Court in the *Motion Picture Patents* case.

3. Petitioner's point that the Court of Appeals cited the Button Fastener case as justification for not following the Motion Picture Patents case is without basis.

The Court of Appeals made no such citation of the *Button Fastener* case. Its reference, in this connectioon, was in the course of determining exactly what was decided in the *Motion Picture Patents* case, and its quotations are from the opinion in *that* case in which the *Button Fastener* case

was discussed. What the Court of Appeals said was (Tr. p. 582):

> "There is, however, a plain distinction between that [Motion Picture Patents] case and this. It is brought out in the opinion of Mr. Justice Clarke in the Motion Picture case itself, at page 514, where he is considering the *Button Fastener* case which, he says, originated 'the construction of the patent law which justifies as valid the restriction of patented machines, by notice, to use with unpatented supplies necessary in the operation of them, but which form no part of them'; and again at page 518, where he declared the restriction invalid 'because such a film is obviously not any part of the patent in suit.'"

So it is clear that petitioner's statement (Petition, p. 16) that the Court of Appeals "bases its distinction between the facts of the case at bar and the facts in the *Motion Picture Patents* case on the decision of the Court of Appeals for the Sixth Circuit in the *Button Fastener* case," is wholly incorrect and contrary to fact.

The only other reference, in the Court of Appeals opinion, to the *Button Fastener* case is in connection with the precise meaning of the *Morgan Envelope* case (Tr. p. 584).

4. The decision does not conflict with the provisions of Section 3 of the Clayton Act.

This suit is not based upon the petitioner having done something contrary to the notice on respondents' invoices. The notice and the Clayton Act have nothing to do with the issues in the patent infringement suit.

The respondents do not sell containers. They merely sell solid carbon dioxide, and the provision of the notice in question regarding approval of containers or apparatus is merely that the customers may have a license to use the solid carbon dioxide sold by respondents in the latter's patented combination. Certainly there is nothing in the notice which substantially lessens competition or tends to create a monopoly.

Here respondents' customers are licensees to the extent that they are free to use the solid carbon dioxide, purchased from respondents, in the respondents' patented arrangement; and the customers buy their shipping cases or cartons wherever they choose. And this is admitted by petitioner as follows (Petition, p. 4):

> "The Dry Ice Corporation, in selling its unpatented product instructs its customers from whom to buy containers in the first instance * * * *and the customers thereafter purchase the containers wherever they see fit,* depending upon price and delivery."

So there is, here, no sale of anything on the condition that the purchaser will not use or deal in supplies of a competitor; and there is no conflict with the Clayton Act. If there were, the point is not one which could be raised in this patent infringement suit not based on the notice or on any violation of it.

5. The petitioner's argument that the Slate patented package is neither an art, machine, manufacture nor composition of matter ignores the Court of Appeals' carefully considered decision that the invention is a manufacture and the supporting authorities.

Petitioner does not deny that the transportation package of the patent in suit is solely the result of a manufacturing operation in the course of which the food-stuff and solid carbon dioxide are packed in a shipping case or carton in such manner that the food-stuffs insulate the carbon dioxide, and the solid carbon dioxide refrigerates the food-stuffs directly and, by evolving a low temperature gas, displaces the air in the package and thus acts as a refrigerant of those portions of the food-stuffs remote from the solid carbon dioxide. Admittedly, the petitioner, by selling solid carbon dioxide to respondents' customers, knowing that it was to be used in the transportation packages defined in the

patent in suit, contributed toward the manufacturing operation involved.

What constitutes an article of manufacture within the meaning and purpose of the patent statutes presents no new question of law for determination by this Court. Although the case of *Tide Water Oil Company* v. *United States*, 171 U. S. 210, 216, involved a tariff question, this Court therein laid down a broad definition of "manufacture" as denoting

> "an article upon the material of which labor has been expended to make the finished product."

Curtis on Patents (3d Edn.), Section 27, foot-note, says:

> "Perhaps the best general definition of the term 'manufacture' as the subject of a patent, would be, any new combination of old materials constituting a new result or production, in the form of a vendible article, not being machinery."

See also *Robinson on Patents*, Section 183.

> "The term 'manufacture,' as used in the patent law, has a very comprehensive sense, embracing whatever is made by the art or industry of man, not being a machine, a composition of matter, or a design."

See also:

Johnson v. *Johnston*, 60 Fed. 618, 620.
Riter-Conley Mfg. Co. v. *Aiken*, 203 Fed. 699, 703 (C. C. A. 3); *certiorari denied*, 229 U. S. 617.
Cincinnati Traction Co. v. *Pope*, 210 Fed. 443, 446 (C. C. A. 6).
International Mausoleum Co. v. *Sievert*, 213 Fed. 225, 228 (C. C. A. 6).
In re Hadden, 20 Fed. (2d) 275 (App. D. C.).
American Fruit Growers v. *Brogdex Co.*, 35 Fed. (2d) 106 (C. C. A. 3).

The Court of Appeals has well summarized the situation in the instant case by stating (Tr. p. 580):

> "But here the food stuffs are really a constituent element of the combination package; their arrangement causes them to help insulate the refrigerant from outside heat, thereby retarding its evaporation. They themselves operate upon another element of the combination and are not merely a subject operated upon by the article of manufacture. Nor do we see any reason for refusing to say that the package is a 'manufacture' because it is intended to have only a temporary life. While it lasts, surely it is a combination of physical elements never put together before, and exceedingly useful. True, it perishes in use; when the solid carbon dioxide has evaporated, the combination no longer exists. But it is not fatal to a patent that the patented device is to be destroyed by its use. Instance the case of a patented torpedo, referred to by way of illustration by Mr. Justice Brown in *Morgan Envelope Co.* v. *Albany Co.*, 152 U. S. 425, 434. We think that the 'transportation package' may be the subject of a valid patent."

The petitioner asserts (p. 20) that "a *specific arrangement* of the old unpatented refrigerant with respect to the old unpatented materials to be refrigerated, all enclosed in an unpatented container," can not be the subject of a valid patent. But practically all manufactures are specific or particular arrangements of unpatented parts.

6. The Petitioner's assertion that the decision of the Court of Appeals in the instant case is in direct conflict with the law established by this Court and is of importance to the manufacturing industries of the Nation is unwarranted and incorrect.

We have shown, *supra*, pages 5-8, that the decisions of this Court in the *Morgan Envelope* and the *Motion Picture Patents* cases have no bearing on the instant case.

Petitioner's argument here is merely that usually ad-

vanced when a defendant in a patent case has been held to have wrongfully appropriated the patentee's property.

Nothing has been taken away from petitioner. It can continue to make and sell, so far as the issues of this suit are concerned, solid carbon dioxide so long as that material is not used in the transportation packages patented by respondents.

It is respectfully submitted that the petition herein should be denied.

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March 19, 1930.